

DD/S 69-0463

30 JAN 1969

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Policy Decision - Employee Pension Trust

STAT 1. To establish an employee pension trust utilizing payroll deductions as the means by which employees place their savings in the trust will require a major overhaul of existing accounting procedures and computer programming. Mr. [] Chief, Support Services Staff, estimates that this would require the services of one man for six months. He also advises that payroll accounting procedures are presently scheduled to be completely revised under the SIPS program starting in January 1970 and that this scheduling will be delayed by the amount of time expended in "patching" the present accounting program.

2. A policy decision is required:

a. Either no attempt should be made to implement the proposed employee pension trust until late 1970 or early 1971 or,

b. A decision should be made to divert the necessary manpower to modify the present payroll so as to implement the employee pension trust in 1969.

c. A third alternative would be to initiate the plan entirely separate from the payroll system excepting for personnel on the unvouchered payroll. The vouchered payroll, I am advised, is the bottleneck insofar as additional deductions from salary are concerned. Vouchered employee participants could make their payments by personal check as they presently do for various insurance programs and an independent computer program could be used for the accounting and reporting aspects of the program. (I do not favor this solution as I believe the ease and continuity of payroll deductions will be a key factor in achieving a sufficient number of participants and an independent program would be very costly in manpower requirements.)

3. Should the decision be to postpone implementation until completion in 1970-1971 of the pertinent portions of the SIPS program, the Task Force engaged in developing the proposal for an employee pension trust should limit

- 2 -

itself to the development of the conceptual and legal aspects of the proposal. If approved this could then be given to the Chief, Support Services Staff for eventual inclusion in SIPS.

4. Should the decision be to seek early establishment of the employee pension trust, appropriate instructions should be given the Chief, Support Services Staff.



Chairman
Task Force on Employee Pension Trust

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30 JAN 1969

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Biweekly Report of Task Force on Employee Pension Trust

1. The Task Force met on 21 and 24 January 1969. At the initial meeting, a mutual understanding on the nature of the task was developed together with a target date of 1 June 1969 for the presentation of a comprehensive proposal.
2. All Task Force members were given copies of all documentary materials on the TVA Take Stock Plan to study and review at a meeting three days later. In addition, numerous background materials on mutual funds, both load and no-load funds, were distributed for supplementary study.
3. Key initial tasks were identified as follows:
 - a. Thorough study of the laws governing the exemption of pension trusts from federal income taxes; isolation of the absolute and negotiable elements of tax exempt trusts based on IRS interpretations, rulings, and discussions; determination of the optimum features desired in the CIA pension trust; and preliminary negotiations toward obtaining IRS approval. Principal responsibility for these actions was placed with Mr. [redacted] Office of General Counsel.
 - b. Analysis of the procedural, documentary, and accounting requirements for the operation of the plan. These embrace the processes of payroll deductions; maintenance of employee "share" accounts; periodic distribution of dividends and capital gains as additional shares; and development of necessary changes in Agency procedures, forms, computer programs, and administrative instructions. Primary responsibility for these studies was placed with Mr. [redacted] OCS, although it was recognized that the Offices of Personnel, Finance, and the SIPS Staff would be deeply involved.
 - c. Study of various investment media available for the investment management of trust fund monies and early negotiation with selected entities to ascertain terms and services offered.

- 2 -

d. Study the problem of establishing and maintaining a balance of responsibility and control for the activity so that CIA is not responsible for the investment decisions but, as sponsor, can prevent ill-advised actions.

e. Assemble the final proposal including the necessary trust agreements, IRS approval, forms, and promotional material, and submit for Agency approval.

4. At the 24 January meeting, the TVA plan was discussed in detail, misunderstandings were resolved, and the general form of an equivalent CIA plan was tentatively arrived at.

5. Other Actions:

a. Publications not available through the CIA library have been sent for.

b. Task Force members were asked to select five or six choices of mutual funds from which the Chairman will request prospectuses.

6. Major Problems:

It was disclosed that the Agency is contemplating a major overhaul of the computer program for payroll handling. This was scheduled to begin in January 1970. To implement a revision of the existing payroll accounting program to accommodate the pension trust plan was estimated as requiring six month's work. A significant policy question clearly is at hand involving the following options:

a. Make no attempt to plan to implement the employee pension trust until the new computer program is in operation in 1970 or 1971, or;

b. Proceed to revise and patch existing payroll machinery to accommodate the employee pension trust.



Chairman

Task Force on Employee Pension Plan

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lcc - ea Task Force member

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